

Regular Session, 2010

HOUSE BILL NO. 952

BY REPRESENTATIVE KLECKLEY

INSURANCE/POLICIES: Provides relative to the policy take-out program for the La. Citizens Property Insurance Corporation

1 AN ACT

2 To amend and reenact R.S. 22:2314(B), (C)(introductory paragraph), (1), and (2), and (D),
3 relative to the Louisiana Citizens Property Insurance Corporation; to authorize
4 certain activities by the corporation; to provide for policies issued by the corporation;
5 to provide for a policy take-out program for the depopulation of Louisiana Citizens
6 Property Insurance Corporation; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 22:2314(B), (C)(introductory paragraph), (1), and (2), and (D) are
9 hereby amended and reenacted to read as follows:

10 §2314. Policy take-out program

11 * * *

12 B.(1) Not less than once per calendar year, the corporation shall offer all of
13 its in-force policies for removal to the voluntary market. ~~The in-force policies shall~~
14 ~~be bundled in groups of not less than five hundred policies and include both policies~~
15 ~~issued under the Coastal Plan and the FAIR Plan.~~ The corporation shall include
16 ~~policies in the bundle~~ offer for depopulation policies with all available geographic
17 and risk characteristics that serve to reduce the exposure of the corporation.

18 ~~(2) Notwithstanding any other provision of law to the contrary, the bundles~~
19 ~~must include both of the following:~~

1 (a) ~~Twenty-five percent of the policies which are bundled must be policies~~
2 ~~which provide coverage to structures located in R.S. 40:1730.27.~~

3 (b) ~~At least seventy-five percent of which net premiums are received from~~
4 ~~policyholders shall be from insurance policies covering single-family residential~~
5 ~~structures, residential duplex structures, or residential fourplex structures.~~

6 (2) Each insurer participating in the take-out program shall be offered all of
7 the corporation's in-force policies. In response, the insurers shall provide the
8 corporation with a list of policies they propose to take out subject to authorization
9 by the policy's agent of record. No policy shall be assumed by a take-out company
10 without the authorization of the agent of record.

11 C. Each insurer admitted to write homeowners personal property insurance
12 or insurance which covers commercial structures in the state of Louisiana may
13 ~~submit a take-out plan to the corporation for the bundled policies apply to the~~
14 Louisiana Citizens Property Insurance Corporation to become a take-out company.
15 ~~The corporation shall submit each take-out plan to the Department of Insurance for~~
16 ~~review and approval~~ Insurers will be approved to participate in the depopulation of
17 the Louisiana Citizens Property Insurance Corporation based on the following
18 criteria:

19 (1) The capacity of the insurer to absorb the policies proposed to be taken
20 out of the corporation and the concentration of risks of those policies. Such capacity
21 may be evidenced by the provision to the Louisiana Citizens Property Insurance
22 Corporation a copy of a valid certificate of authority issued by the Louisiana
23 Department of Insurance to the insurer. An insurer shall not be qualified to ~~submit~~
24 ~~a take-out plan~~ participate in the take-out program unless that insurer has at least an
25 A- rating with A.M. Best, or its equivalent. ~~In no event shall the surplus~~
26 ~~requirements of the take-out company be less than the surplus requirements of any~~
27 ~~other company in the state of Louisiana.~~

1 (2) ~~Whether~~ An insurer shall have the rates proposed to be charged for the
2 policies being taken out, filed, and approved by the Louisiana Department of
3 Insurance with an effective date prior to the assumption of policies. The insurer shall
4 provide proof to Louisiana Citizens Property Insurance Corporation that the rates
5 have been approved and are adequate under R.S. 22:1451 et seq.

6 * * *

7 D. ~~If a take-out plan is approved by the Department of Insurance, the~~ The
8 corporation shall submit it an insurer's application to participate to the governing
9 board for approval.

10 * * *

11 Section 2. This Act shall become effective upon signature by the governor or, if not
12 signed by the governor, upon expiration of the time for bills to become law without signature
13 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
14 vetoed by the governor and subsequently approved by the legislature, this Act shall become
15 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Kleckley

HB No. 952

Abstract: Provides relative to the requirement for insurer participation in the take-out plan of the Louisiana Citizens Property Insurance Corporation.

Present law provides that at least once per calendar year, the Louisiana Citizens Property Corporation must offer its in-force policies for removal to the voluntary market. Also, requires that the in-force policies be bundled in groups of not less than 500 policies and include both policies issued under the Coastal Plan and the FAIR Plan. The corporation shall include policies in the bundle with geographic and risk characteristics that serve to reduce the exposure of the corporation.

Proposed law specifies that the corporation must offer all of its in force policies for removal to the voluntary market. Also, removes the provision providing that in-force policies must be bundled in groups of not less than 500 policies and include both policies issued under the Coastal Plan and the FAIR Plan. Changes language to reflect an amendment in the law removing the requirement that policies be sold in bundles. Proposed law requires the corporation to include offer for depopulation policies with all available geographic and risk characteristics that serve to reduce the exposure of the corporation.

Proposed law requires each insurer participating in the take out program be offered all of the corporation's in-force policies. Also, requires insurers provide the corporation with a list of policies they propose to take-out subject to authorization by the policy's agent of record. Prohibits the assumption of policy by a take-out company without the authorization of the agent of record.

Present law provides that insurers admitted to write homeowners insurance or insurance which covers commercial structures in the state of Louisiana may submit a take-out plan to the corporation for the bundled policies. Also, requires the corporation submit each take-out plan to the Department of Insurance for review and approval based on the following criteria:

- (1) The capacity of the insurer to absorb the policies proposed to be taken out of the corporation and the concentration of risks of those policies. An insurer shall not be qualified to submit a take-out plan unless that insurer has at least an A- rating with A.M. Best, or its equivalent. The surplus requirements of the take-out company cannot be less than the surplus requirements of any other company in the state of Louisiana.
- (2) Whether the rates proposed to be charged for the policies being taken out are adequate under present law.

Proposed law specifies that insurers writing personal property insurance which covers commercial structures in the state may apply to the Louisiana Citizens Property Corporation to become a take-out company. Also, removes the requirement that the corporation submit each take-out plan to the Department of Insurance for review and approval. Instead, specifies that the insurers will be approved to participate in the depopulation of Louisiana Citizens Property Insurance Corporation based on the following criteria:

- (1) Specifies that an insurer will not be deemed qualified to participate in the take-out program unless that insurer has at least an A- rating with A.M. Best, or its equivalent. Also, removes restriction that surplus requirements of the take-out company cannot be less than the surplus requirements of any other company in the state of Louisiana.
- (2) Specifies that an insurer must have the rates proposed to be charged for the policies being taken out filed and approved by the Louisiana Department of Insurance with an effective date prior to the assumption of policies. Also, specifies that the insurer must provide proof to Louisiana Citizens Property Insurance Corporation that the rates have been approved and are adequate under present law.

Present law provides that if a take-out plan is approved by the Department of Insurance, the corporation must submit it to the governing board for approval.

Proposed law removes the requirement that a take-out plan be approved by the Department of Insurance. Instead, proposed law requires the corporation to submit the insurer's application to participate to the governing board for approval.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 22:2314(B), (C)(intro. para.), (1), and (2), and (D))